FISCAL NOTE
HB 1188 - SB 1018

April 5, 2003

SUMMARY OF BILL:

1. Establishes the *Professional Incentive for Educators Act of 2003* for public elementary and secondary teachers which would provide annual bonuses to teachers as follows:
   - The incentive pay plan would assign points for various mandatory or voluntary activities in which teachers participate, including professional performance, professional development, school and system development, and teacher and parent interaction.
   - Teachers would accumulate points during a 12-month bonus period fixed by the Commissioner of Education. The commissioner would develop a state teacher bonus log that shows the activities for which state points would be awarded and the number of state points for each activity. Teachers and administrators would not be required to make subjective decisions in determining the number of points to be awarded for a particular activity. Principals will periodically examine the state teacher bonus logs and verify their accuracy.
   - Each local education agency (LEA) would develop a local incentive plan for educators similar to the state incentive plan. A teacher would be eligible for a bonus under the state plan or a local plan only if the teacher is employed by an LEA on the last day of the bonus period.
   - After the conclusion of a bonus period, each LEA would report its total number of state points to the Department of Education. The department would total the state points reported by all LEAs and determine the value of a state point for the bonus period dividing the amount allocated to the state plan by the total number of state points.
   - Each LEA would receive funds in the amount of the value of a state point for the bonus period multiplied by the total number of state points reported to the department by the LEA. A teacher would receive the value of a state point for the bonus period multiplied by the number of the teacher's state points for the bonus period as the teacher's bonus from the state plan. The LEA would also total its number of local points and receive funds for the number of points reported.
   - Bonuses from the state and local plans would be paid to teachers within 90 days following the close of a bonus period. The state and local incentive plans would be equally funded by the tax levied on the privilege of selling state lottery tickets and shares.
2. Imposes a state tax on the privilege of selling state lottery tickets and shares to fund the incentive pay plans, as follows:
   - No local government could impose any additional tax, fee, or assessment of any kind on the privilege of selling state lottery tickets or shares. The tax would be at the rate of 10 percent of the sales price of a state lottery ticket or share, when sold by a lottery retailer in this state.
   - The lottery retailer would collect the tax from the purchaser of a state lottery ticket or share. All revenue received by the Commissioner of Revenue would be deposited in the state general fund and would be earmarked and allocated to fund the state and local teacher incentive pay plans.

- The state agency or entity operating the state lottery would report to the department the monthly total sales of lottery tickets or shares by each lottery retailer and would provide such other information and assistance needed by the Department of Revenue to collect and administer the tax levied by this bill.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $119,200 One-Time
$9,101 Recurring
Increase State Revenues - Exceeds $30,000,000 Earmarked for State PIE
Increase Local Govt. Expenditures - Not Significant
Increase Local Govt. Revenues - Exceeds $30,000,000 Earmarked for Local PIE

Estimate assumes:

- All teachers would be eligible for and participate in the incentive pay program. For the 2001-02 school year, there were a total of 57,355 teachers in Tennessee, including state, federal, and locally paid teachers.
- First year lottery sales are estimated to be at least $600,000,000. This estimate assumes lower net lottery sales due to implementation of this tax.
- The privilege tax levied on the sales of lottery tickets or shares shall be 10% of total sales. Therefore, an estimated $60,000,000 in revenues will be generated by the privilege tax.
- Fifty percent of the revenues will go to the state to fund the state incentive program. The remaining 50% will be divided among LEAs to fund the local incentive program. Therefore, of the $60,000,000 in revenues, $30,000,000 will go to the state, and $30,000,000 will be divided among the LEAs.
- Any administrative costs incurred by the Department of Education and the LEAs are estimated to be not significant. However, the Department of Revenue estimates a one-time cost of $119,200 for system modification to create a new account type and a recurring cost of $9,101 for continued maintenance.
- Each incentive point will be worth an estimated $523. Assumes each teacher will earn one state incentive point during the first year.
- In the local incentive program, funds will not be distributed evenly among LEAs. Rather, funds will be distributed based on the ratio of teachers the LEA employed to the total number of teachers employed by all LEAs.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director